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Cost of production of certain
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65th CONGRESS, }
2d Session. }

SENATE.

{ DOCUMENT
No. 300.

COST OF PRODUCTION OF CERTAIN AGRICULTURAL
PRODUCTS.

LETTER

FROM

THE SECRETARY OF AGRICULTURE,

SUBMITTING

IN RESPONSE TO A SENATE RESOLUTION OF SEPTEMBER 24, 1918,
CERTAIN INFORMATION RELATING TO THE COST OF PRODUC-
ING WHEAT, BARLEY, RYE, BUCKWHEAT, CORN, KAFIR CORN,
RICE, APPLES, POTATOES, COTTON, BEEF CATTLE, HOGS, HAY,
AND SHEEP.

NOVEMBER 12, 1918.—Referred to the Committee on Agriculture and ordered to be
printed.

DEPARTMENT OF AGRICULTURE,
Washington, November 7, 1918.

THE PRESIDENT OF THE SENATE.

SIR: I have the honor to acknowledge receipt of Senate resolution 310, instructing the Secretary of Agriculture to furnish the Senate with information in the Department of Agriculture showing the cost of producing wheat and other farm products. I regret that I can not send to the Senate dependable information on this subject.

Certain studies of the cost of producing a number of farm products have been made by the Office of Farm Management. About a year ago the results of one of the studies were brought to my attention. After an examination of them, and in view of criticisms by competent experts of similar studies, I indicated to Dr. Spillman, who was Chief of the Office of Farm Management until September 1, that I questioned the validity of the methods pursued in the studies and was of the opinion that the exposition and interpretation of the data were not adequate. I indicated to him my desire that careful consideration be given the whole matter and that a system of inquiry and interpretation be devised which would be regarded by competent students of farm economics as sound, and which would furnish results reasonably reliable and creditable to the department. Notwith-

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standing my directions, the inquiry proceeded according to former methods, and a number of weeks ago some of the results were embodied in several manuscripts. These were not brought to my attention until after some publicity was given them.

I gave the studies in question very careful consideration. I asked competent experts, including students of grain farming in the department and on the outside, to give me their opinion of them. I was convinced, as they are, that the studies are unsatisfactory in method and faulty in exposition and interpretation and that the conclusions drawn have no validity. The studies have never been formally approved by the department. I assume that these studies, especially those on the cost of producing wheat, which the former chief of the office, without consulting me and without my knowledge, submitted to the Senate Committee on Agriculture, are the ones contemplated in the resolution.

Not content with my own examination of these studies and my conclusions concerning them, I submitted them separately to three well qualified students of farm economics and requested their opinions. Their reports were adverse. I then referred the reports on the cost of producing wheat to a committee consisting of an economist from one of our agricultural colleges, one from the Bureau of Markets, a statistical economist from the Bureau of Crop Estimates, and a member of the staff of the Office of Farm Management. This committee reported that these documents were not analytical studies of the problem and that they might be considered merely as opinions. Later the author of the manuscripts in question asked for permission to withdraw them, stating that the data were not sufficient to entitle the documents to be regarded as analytical studies in any sense, that he could not defend them on any substantial ground, that they were based rather on personal observation of local conditions and notes taken on farmers' experience, and that they should not be given publicity. He further stated that the inquiry was hurriedly made, that the costs were not taken from cost accounting records, that the agents talked with farmers and made up their minds, that there was, therefore, no tabulation of accurate data, that there was "a sort of adjustment from these figures" secured in the way indicated, that there was a lot of guesswork done and mental impressions formed, and that the figures given were not accurate but rough approximations.

As a further precaution, I requested a committee consisting of the president of the Kansas State Agriculture College, the chief in crops of Purdue University, an agricultural economist of the University of Wisconsin, an agronomist of the Pennsylvania State College, an assistant in farm management of the University of Minnesota, and a farm economist of the Agricultural College of Texas to make an inquiry and to submit me a report. They did so under date of October 31, expressing the view that they found "this material to be wholly inadequate upon which to base a conclusion as to the true cost of producing the 1918 wheat crop, for the following principal reasons:

That the areas chosen represent only three out of the six major winter-wheat areas, and furthermore, that the seven counties selected in the winter-wheat area east of the Rocky Mountains are not sufficiently representative.

That the number of farms investigated (about 158 for the wheat area east of the Rocky Mountains and 115 for the Pacific and North-



west wheat areas) was small; but of more importance even than this, that the data secured therefrom were very incomplete.

That the manuscripts appear to be more largely based upon the authors' general knowledge of the items of cost of production than upon the specific data collected in the surveys made in the spring of 1918.

It will be noted that the committee points out not only that the number of farms dealt with was small but also that the data secured were very incomplete, as I have already indicated. Even the sample of the questionnaire inserted in the record by the former chief of the office, Dr. Spillman, was not actually the one employed in the inquiry, and those that were employed contained fragmentary data secured through conversations with farmers, as the author indicated in his communication to me.

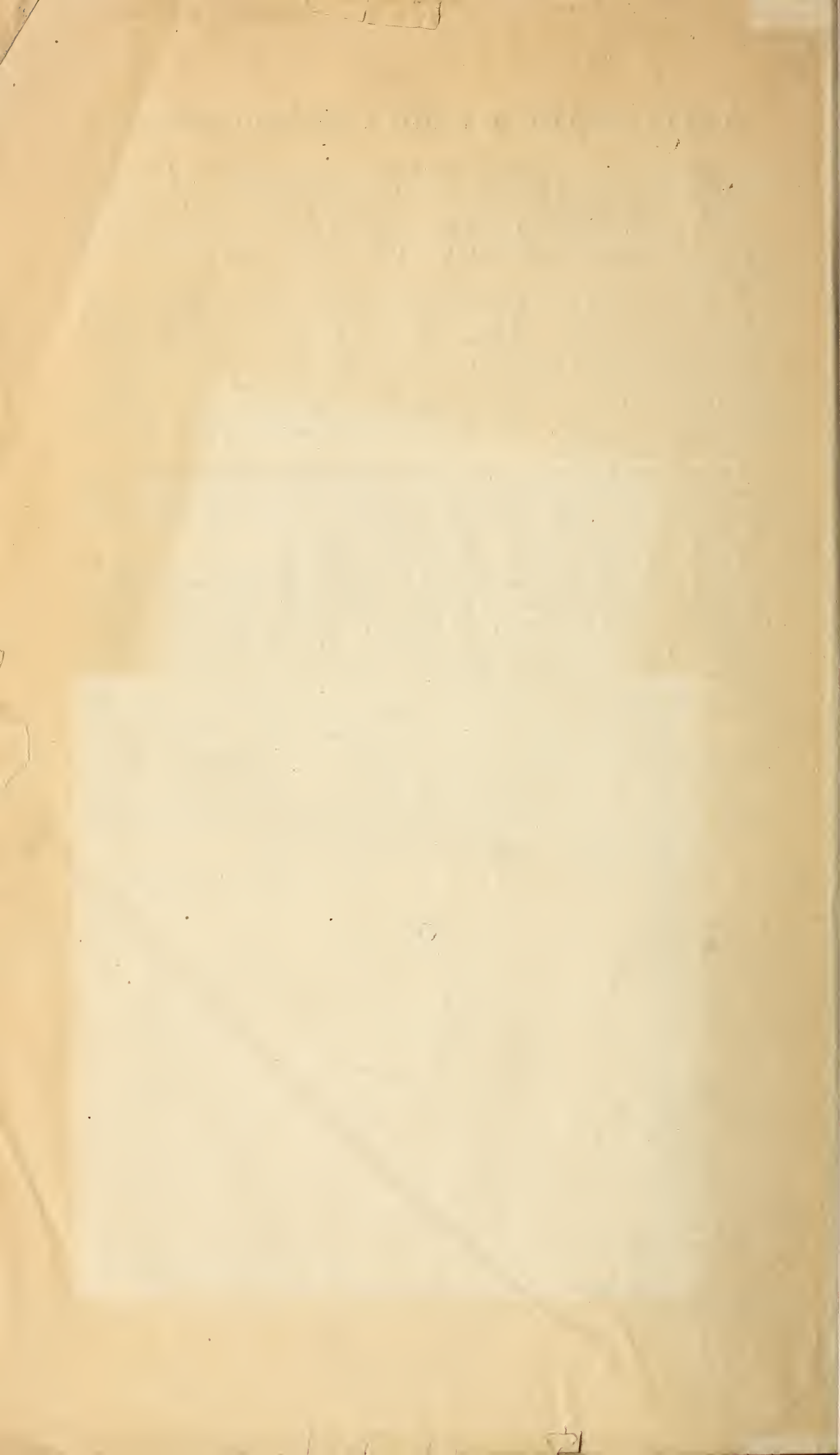
I regret that the former chief of the office of Farm Management and the acting chief should have given publicity to the studies dealt with, since it is clear that they constitute no basis for satisfactory thinking or proper action in this difficult matter.

I have for a long time appreciated the difficulty of attempting to secure satisfactory studies of cost of producing farm commodities. There are many millions of farmers producing the leading crops. Conditions differ not only from farm to farm but also from section to section, and averages mean very little. If such studies are undertaken, it is of the utmost importance that they give actual facts, that approved methods be employed, and that the services of the best trained men be secured for their proper exposition and interpretation. I am taking steps to see that further studies, if made in this field, shall be satisfactory; and to this end I am inviting the cooperation of the best agricultural economists and students of farm crops outside of the department, as well as inside of it, to assist us in formulating projects for cost studies and in recasting the work of the Office of Farm Management along the best possible lines.

Respectfully,

D. F. HOUSTON, *Secretary.*

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